

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 EA-12 FRB-01 INR-10 NEA-10 NSAE-00 ICA-20
OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 OMB-01 SS-15
/123 W

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R 282018Z APR 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 0832
USDA/WASHDC
INFO ALL OECD CAPITALS
AMEMBASSY BELGRADE
USMISSION GENEVA

UNCLAS SECTION 01 OF 02 PARIS 13916

USOECD

USMTN

AGRICULTURE PASS WITCHER, KARPOFF, FAS: ERS FOR
WILLETT AND CROM

E.O. 11652: N/A
TAGS: EAGR OECD
SUBJ: 25TH SESSION WORKING PARTY NO. 4 (MEAT) O/
COMM FOR AGR, APR 24-25, 1978

SUMMARY. BEEF PRODUCTION IS PROJECTED DOWN AND PRICES
UP OVER THE NEXT TWO YEARS IN MOST MAJOR PRODUCING
COUNTRIES. THESE TRENDS COULD REACH CRITICAL PROPOR-
TIONS IF RAPID HEAD REBUILDING TAKES PLACE IN 1979 AND
1980, THUS FURTHER AGGRAVATING THE SITUATION. CANADA
IS UNDER PRESSURE TO CONSIDER A BEEF IMPORT LAW. WILL
THE U.S. ALTER BEEF IMPORT QUOTA? FAST FOOD ESTABLISH-
MENTS EXPANDING IN EUROPE. TWO-HUNDRED MILE FISHING
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LIMIT MAY EXPAND JAPANESE MEAT DEMAND. USSR MEAT
PRODUCTION FORECAST IS UP. DO THEY HAVE THE FEED
GRAIN? END SUMMARY.

1. BEEF AND VEAL PRODUCTION OUTLOOK IN AUSTRALIA,
NEW ZEALAND, CANADA, AND THE U.S. IS SIGNIFICANTLY
BELOW 1977 LEVELS FOR THE REMAINDER OF 1978 AND FOR

1979. PRICE FORECASTS IN U.S. INDICATE MEAT PRICES UP FROM 1977 LEVELS BY 10-12 PERCENT (P/C) IN 1978 WITH HAMBURGER UP AS HIGH AS 20 P/C. HOG PRODUCTION OUTLOOK FOR 1978 IS MIXED WITH THE U.S. UP SLIGHTLY BY 2-3 P/C, CANADA UP ABOUT 10-12 P/C AND AUSTRALIA DOWN SLIGHTLY ABOUT 1.6 P/C. POULTRY PRODUCTION IS EXPECTED TO BE UP BY 3 - 7 P/C IN ALL 4 COUNTRIES. EC PRODUCTION OF MEAT IS EXPECTED TO BE QUITE STABLE BETWEEN 1977 AND 1978. DEMAND INCREASES WILL INCREASE SLIGHTLY THE IMPORT REQUIREMENT. BEEF AND VEAL SITUATION IS LIKELY TO BECOME CRITICAL WITH SHORT SUPPLIES AND SIGNIFICANTLY HIGHER PRICES INTO 1980.

2. IF PROFIT MARGIN EXPECTATIONS RISE DUE TO HIGHER CATTLE PRICES AND STABLE OR DECLINING FEED COSTS, RAPID HERD EXPANSION COULD KEEP COW SLAUGHTER AND HEIFER FEEDING DOWN, THUS AGGRAVATING THE NEAR TERM SHORT SUPPLY SITUATION AND INCREASING PRICES EVEN FURTHER.

3. DESPITE LOWER PRODUCTION, CANADA IS UNDER PRESSURE FROM PRODUCERS TO CONSIDER A BEEF AND VEAL IMPORT LAW SIMILAR TO THAT IN THE U.S.

4. THE U.S. WAS PRESSED ON WHETHER IMPORTS OF BEEF WILL BE INCREASED. U.S. DELEGATE (JAMES NIX) EXPLAINED UNCLASSIFIED

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THAT THE OPPOSING PRESSURES OF CONCERN OVER INFLATION IN BEEF PRICES AND ADEQUATE SUPPLIES FOR CONSUMERS VERSUS PRESSURES FROM CATTLE PRODUCERS MUST BE EVALUATED. NO SPECULATION WAS MADE AS TO POSSIBLE CHANGES IN THE LEVEL OF IMPORTS AS A RESULT OF THESE PRESSURES. AUSTRALIA INDICATED A SUBSTANTIAL CAPACITY TO DIVERT BEEF SUPPLIES FROM DOMESTIC MARKET AND FROM DISTRESS SALE FOREIGN MARKETS SUCH AS EASTERN EUROPE AND THE MIDDLE EAST TO SUPPLY A PROFITABLE U.S. MARKET IF U.S. QUOTA WERE LIFTED. NEW ZEALAND HAS NOT LIQUIDATED BEEF HERDS AS FAR AS AUSTRALIA AND U.S. THEY COULD TAKE ADVANTAGE OF INCREASED FOREIGN DEMAND BUT ONLY IF PRICES INCREASE SUBSTANTIALLY.

5. HAILING THEM AS GASTRONOMIC DISASTERS, EXPANSION TRENDS OF FAST FOOD OUTLETS, SUCH AS MCDONALD'S IN EUROPE WERE ADMITTED WITH RELUCTANCE BY THE EC AND FRENCH DELEGATES. THIS MAY SHIFT CONSUMPTION TO HAMBURGERS AND DUE TO LOWER RELATIVE PRICE MAY INCREASE MEAT CONSUMPTION SIGNIFICANTLY OVER THE LONGER TERM. GREAT BRITAIN SUGGESTED THAT THE DEMAND FOR THE FAST FOOD CHAINS AND SNACK BARS WERE SUBSTITUTING FOR MORE

TRADITIONAL TYPE RESTAURANTS RATHER THAN ADDING TO THE

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FM AMEMBASSY PARIS
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PRESENT DEMAND.

6. A USEFUL POINT MADE BY THE ECE EASTERN EUROPE
ANALYST WAS THAT WESTERN ECONOMISTS ARE OFTEN INFLUENCED
TOO MUCH BY THEIR ASSUMPTION OF PROFIT MAXIMIZATION BE-
HAVIOR AT THE MICRO LEVEL. MORE IMPORTANT IN EASTERN
EUROPE, PRODUCTION DECISIONS AT LEAST IN THE CONTEXT
OF MEATS, IS WHETHER OR NOT SCARCE FOREIGN EXCHANGE
CAN BE SAVED. PROJECTION FOR USSR SHOWS SUBSTANTIAL
INCREASE IN MEAT PRODUCTION FOR 1979 AND 1978 OF 2 P/C
FOR BEEF AND VEAL, 8 P/C FOR PORK, AND 11 P/C FOR
POULTRY RAISING THE QUESTION OF WHETHER INCREASED FEED
GRAIN IMPORT IS LIKELY.

7. JAPANESE DELEGATE EXPRESSED CONCERN THAT THE
200-MILE FISHING LIMIT WILL REDUCE THE JAPANESE CATCH,
THUS PUTTING PRESSURE ON THE LIVESTOCK SECTOR TO
INCREASE PRODUCTION TO FILL A SUBSTITUTE DEMAND FROM
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FISH TO MEAT DESPITE GOVERNMENT EFFORTS TO USE A
REDUCED FISH CATCH MORE EFFICIENTLY.

OTHER ACTIONS INCLUDED:

1. RECOMMENDATION TO THE COMMITTEE FOR AGRICULTURE FOR
ACCEPTANCE AND RECOMMENDATION TO THE COUNCIL FOR DE-
RESTRICTION AND PUBLICATION OF "FORECASTS OF THE DAIRY
AND BEEF SITUATION IN 1979 AND 1982." AGR(78)8.

2. GROUP WAS GIVEN A PROGRESS REPORT ON THE ACTIVITIES
OF THE AD HOC GROUP ON ANIMAL FEEDING. THE POSSIBILITY
OF A FUTURE JOINT MEETING WAS RAISED.

3. GROUP WAS INFORMED OF THE STUDY OF THE AD HOC GROUP
ON THE BEEF CHAIN WHICH IS UNDERGOING FINAL REVISION
BEFORE DERESTRICTION AND PUBLICATION. (DAA-1526 AND
ADDENDUM).

4. JOINT WORK BETWEEN THE AGRICULTURAL DIRECTORATE AND
THE TECHNICAL COOPERATION COMMITTEE ON BEEF PRODUCTION
IN SOUTHERN EUROPE WAS REVIEWED.

5. ATTENTION WAS DRAWN TO THE NEWLY PUBLISHED VOLUME
IN THE MEAT BALANCE SHEETS SERIES.

6. FURTHER WORK WAS PROPOSED IN ONE OF THE FOLLOWING
AREAS: DEMAND, FORECASTING METHODS, TRENDS IN STRUC-
TURES AND THEIR INFLUENCE OVER PRODUCTION, ENERGY USE
IN ANIMAL PRODUCTION. TIME RAN OUT BEFORE A DECISION
WAS TAKEN BUT THE TENDENCY APPEARED TO FAVOR THE TOPIC
DEMAND.

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Message Attributes

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